



**DIPALESENG ANNUAL BUDGET
FOR 2013/14 MTREF**

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PART 1 – ANNUAL BUDGET

1.1. EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Dipaleseng Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 67 were used to guide the compilation of the 2013/14 MTREF

Consolidated MTREF Budget	Adjustment Budget 2012/13	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Total Operating Revenue	130 512 000	144 145 043	162 389 000	171 673 000
Total Operating Expenditure	208 788 000	207 831 677	220 096 484	231 497 368
(Surplus)/Deficit for the year	78 276 000	(63 686 634)	(57 707 484)	(59 824 368)
Total Capital Expenditure	46 015 000	58 331 950	0	-

Total operating revenue for 2013/14 financial year is R144.1 million, when compared to the 2013/14 Adjustments Budget of R130.512million which translate to an increase of 10.4%.

Total operating expenditure for the 2013/14 financial year has been appropriated at R207million and translates into a budgeted deficit of R63.732million.

The allowable deficit of the operating budget should not exceed depreciation and impairment, although in future years such depreciation should be reduced by surplus to make provision for the renewal of existing assets.

The current (2013/14) expenditure budget exceeds the allowable amount by R30.6million. Provision was made for the budget recovery plan that will contain trading losses of certain services and expenditure budget to come.

The capital budget of R58.3million for 2013/14 is 30 per cent higher when compared to the 2012/13 Adjustment Budget.

The main challenges experienced during the compilation of the budget 2012/13 can be summarised as follows;

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships.
- Other costs of doing business including repairs and maintenance of infrastructure.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPIX, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act

Recommendations and Comments from PT in terms of section 22 of the MFMA on 2013/14 draft Budget Assessment were as follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a draft budget to, amongst others, the Provincial Treasury immediately after tabling the draft budget in Council. In turn, the Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by Council when tabling the annual budget (section 23). The draft budget benchmarking engagements have been designed to give effect to these legislative requirements.

- The tariffs structure requires to be reviewed since most of the trading service are currently operating at the loss. Ideally trading services should trade at the profit of 10 per cent and economic services (refuse) should at least break even.

- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- 40% of the total capital budget should be allocated towards the renewal of existing infrastructure, currently it stands at 4% per cent.
- 15% of the MIG allocation should go towards sports development, in our 2013/14 capital budget, there's no allocation towards sports and development projects. It's recommended that 15% of the MIG allocation be ring-fenced in case such funds are requested back from the municipality by NT or Department of Sports and Recreation.
- Debt impairment and depreciation be budgeted in full amount of R65million, the two non-cash items will cause the budget to be in a deficit, however in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at 7%
- Other revenue items such as fines and rental of facilities had to be readjusted to be more realistic.

1.2. Operating Revenue Framework

1.2.1. In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

MP306 Dipaleseng - Table A4 Budgeted Financial Performance (revenue and expenditure)												
Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework			
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14		Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source												
Property rates	2	-	7 455	9 541	10 592	10 592	10 592	10 592	12 552	19%	13 230	13 944
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	0%	-	-
Service charges - electricity revenue	2	-	23 493	31 318	49 432	38 598	38 598	38 598	48 490	26%	56 559	58 976
Service charges - water revenue	2	-	11 666	24 050	22 644	12 240	12 240	12 240	12 315	1%	14 915	15 721
Service charges - sanitation revenue	2	-	10 286	11 561	12 477	11 279	11 279	11 279	10 200	-10%	10 756	11 337
Service charges - refuse revenue	2	-	3 820	4 044	4 439	5 822	5 822	5 822	3 866	-34%	6 352	6 695
Service charges - other		-	-	-	-	-	-	-	-	0%	-	-
Rental of facilities and equipment		-	170	215	172	165	165	165	175	6%	184	194
Interest earned - external investments		-	8 950	2 556	106	30	30	30	72	140%	76	80
Interest earned - outstanding debtors		-	-	-	5 104	-	-	-	2 520	100%	2 656	2 800
Dividends received		-	-	-	-	-	-	-	-	100%	-	-
Fines		-	250	312	280	200	200	200	283	42%	298	314
Licences and permits		-	1 965	-	-	-	-	-	-	0%	-	-
Agency services		-	-	2 151	1 356	2 073	2 073	2 073	2 431	17%	2 563	2 701
Transfers recognised - operational		-	46 546	63 474	48 393	48 391	48 391	48 391	49 499	2%	52 327	56 357
Other revenue	2	-	991	10 955	1 725	1 121	1 121	1 121	1 741	55%	2 423	2 554
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	115 592	160 176	156 720	130 511	130 511	130 511	144 145	10%	162 339	171 673

Total operating revenue for 2013/14 financial year is R144.1 million, when compared to the 2013/14 Adjustments Budget of R130.512million which translate to an increase of 10.4%.

1.2.2. Municipal Tariffs

1.2.2.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The following tariffs are proposed. Business and Industrial will increase by 10% whilst others increased by 5.6%. See under mention table:

Table2 Comparison of proposed rates to levied for the 2013/14 financial year

MPRA Category	MPRA key	Impermissable (R)	Impermissable (%)	Rate			Res	
							Bus/Indus	5.60%
		Value - Impermissable	% impermissable	2012/2013	2012/2013	Rebate	Before	2013/2014
							increase	
RESIDENTIAL	RES	15,000.00			-	-		
RESIDENTIAL >R 15000			0	0.0055	0.00582	0	0.00582	0.006
RESIDENTIAL >R 15001 Business consent use				0.0055	0.00582	0	0.00582	0.006
INDUSTRIAL	IND			0.0055	0.00582	0	0.00582	0.006
BUSINESS AND COMMERCIAL	BUS			0.0055	0.00582	0	0.00582	0.006
AGRICULTURAL (AGRI)	AGRI		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL BUSINESS (AGRIBUS)	AGRIBUS		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL RESIDENTIAL (AGRIRES)	AGRIRES		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL OTHER (AGRIOTHER)	AGRIOTHER		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL NO PURPOSE DEFINED (AGRINO)	AGRINO		25%	0.0055	0.00582	0.001455	0.004365	0.005
COMMUNAL LAND (COMM)	COMM		0%	0	0	0	0	-
SMALL HOLDINGS - AGRICULTURAL (SMALLAGRI)	SMALLAGRI		25%	0.0055	0.00582	0.001455	0.004365	0.005
SMALL HOLDINGS - RESIDENTIAL (SMALLRES)	SMALLRES		25%	0.0055	0.00582	0.001455	0.004365	0.005
SMALL HOLDINGS - OTHE (SMALLOTHER)	SMALLOTHER		25%	0.0055	0.00582	0.001455	0.004365	0.005
STATE OWNED (STATE)	STATE		30%	0.011	0.01165	0.003495	0.008155	0.009
MUNICIPAL	MUN		100%	0	0	0	0	-
PUBLIC SERVICE INFRASTRUCTURE (PSI)	PSI		30%	0.011	0.01165	0.003495	0.008155	0.009
EXEMPTED (EXP)	EXP		100%	0.0055	0	0	0	-
OPEN SPACES	OPS		100%	0	0	0	0	-
PLACES OF PUBIC WORSHIP(CHC)	CHC		100%	0	0	0	0	-
PUBIC BENEFIT ORG (PBO)	PBO		100%	0.0055	0.00582	0.00582	0	-

National Treasury's MFMA Circular No. 67 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the National Treasury. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

1.2.2.2. Sale of Electricity and impact of tariffs increase

MFMA circular 67 recommended a 8 per cent on the municipal electricity tariff for 2013/14 annual budget compilation while NERSA have issued a guideline of 7%. Dipaleseng Local Municipality has applied to NERSA for tariff application of 8%. The tariffs will be effective in the new financial billing starting on the 01st July 2013.

Description	Amount
Revenue	50 657 000
Expenditure	68 465 298
Trading loss	17 808 298

During the submission of the draft budget on the 31 March 2013 and strategic planning session held on 11- 13 June 2013 it was reported that the budget is unfunded and not in line with section 18 of the MFMA.

The budget steering committee has undertaken a further study on the reducing of expenditure and possible increase of revenue with HOD's to reduce the unfunded budget of R 62 million

The electricity services were reflecting a loss of 17.808 million during the presentation of the seniorspecialist: Provincial treasury

During the consideration of tariffs it was found that the Industrial tariff for electricity for 2012-2013 is fixed at 53 c per unit whilst business is paying R 1.33 per unit

Karan beef an industrial consumer is estimated to have consumed 14,201,018 kWh units for 2012-2013.

If compared with the business tariff the municipality have subsidized this business with +/- R 11, 36 million for 2012-2013. The expected revenue for 2013/14 R12.49million

The following Tariffs is proposed:

It should be noted that business and industrial tariffs, as per recommendations of the budget steering committee is to be increased by 10%. This is part of future budget recovery plan.

		PROPOSED		
		Budget 12/13		Tariff 13/14
ELECTRICITY				
BASIC CHARGE - Business (includes Guesthouses)		R 226.44	10.00%	R 249.08
- Business PRE-PAID		R 349.08	10.00%	R 383.99
- Industrial		R 679.29	10.00%	R 747.22
- Domestic (Residential)		R 113.21	8.00%	R 122.27
- Vacant stands		R 78.69	10.00%	R 86.56
CONSUMPTION - Business		R 1.33	10.00%	R 1.47
- Industrial		R 0.54	172.00%	R 1.47
- Domestic (Residential)		R 1.32	8.00%	R 1.42
- Registered Indigents		R 1.02	8.00%	R 1.10
- Departmental		R 1.02	8.00%	R 1.10
KVA - Basic		R 203.96	10.00%	R 224.35
KVA-unit charge		R 161.15	10.00%	R 177.27
PRE-PAID - ordinary customers		R 1.48	8.00%	R 1.59
- registered Indigents		R 1.26	8.00%	R 1.36
Reconnections due to non-payment		R 529.50	5.60%	R 559.15
New Connections - Single Phase -up to yard		2 118.00		R 3 000.00
- 3 Phase		4 765.50		R 7 500.00
Installation of a Pre-paid meter				1 500.00
Installation of a Pre-paid meter - 3 phase (residential)				3 000.00
Installation of a Pre-paid meter - 3 phase (Business)				6 000.00

1.2.2.3. Sales of Water and Impact of tariff increase

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are should be fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The current budget reflects the following:

Description	Amount
Revenue	14 151 300
Expenditure	15 942 749
Trading loss	1 801 449

We are currently selling water to all categories of consumers at the same rate of R 8, 08

No penalties are imposed if water is consumed above the standard consumption of a category. For example an average household will consume 35 kl. If a consumer needs to fill swimming pool consumption can increase up to 300 kl, because of natural scarcity water resources should be preserved and consumers be deterred in abuse of consuming too much.

A block tariff should be imposed. Increase in tariffs is proposed as follows and only applicable to residential and government.

Table 3 Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current Amount Payable 2012/13	Approved Amount Payable 2013/14	Difference (Increase)	Percentage Change
0 -6	0	Free for Households		0
0 – 35	R 8.08	R8. 53	R0.45	5.6%
0-50	R8.08	R8.95	R0.87	10.76%
51 – 80	R8.08	R9.40	R1.32	16.33%

81 - above	R8.08	R9.90	R1.82	22.52%
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The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kl.

1.2.2.4. Sanitation and Impact of tariffs increase

Tariff increase of 5.6% for sanitation for domestic and government whilst industrial have been increased by 10% has been recommended by the budget steering committee as from 01 July 2013. It should also be noted that the budget steering Committee recommended increase to R100 for businesses. This is based on the cost assumptions related to water.

SEWERAGE		EXISTING		PROPOSED	
		Tariff 12/13		Tariff 13/14	
Sewer-Connected to mainline					
BASIC - Business (per connection, per business unit)		R 75.42	32.6% (adj)	R 100.00	
- Industrial		R 102.30	10.0%	113	
- Schools		R 90.76	5.6%	96	
- Public Institutions (Includes Churches)		R 90.76	5.6%	96	
- Vacant stands		R 91.95	10.0%	101	
- Domestic (Residential) per unit / flats		R 65.88	5.6%	70	
EFFLUENT					
All consumers excluding registered indigents		6.50	5.60%	6.86	
INDUSTRIAL		R 9.49	70% levy	R 10.44	
BLOCKED DRAIN					
Main line		NO COST			
Private line		695.27	5.60%	R 734.21	
				-	
NEW CONNECTIONS -per stand / PER UNIT		886.00	5.60%	R 935.62	

1.3.2.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Dipaleseng Local Municipality approved 5.6% tariff on all categories, except for business and industrial which is increased by 10% in terms of their classifications and waste bins.

REFUSE REMOVALS		EXISTING		PROPOSED	
		Tariff 12/13		Tariff 13/14	
Business (per business unit)		R 58.87	10.00%	R 64.76	
Industrial		R 66.21	10.00%	R 72.83	
Schools		R 44.47	5.60%	R 46.97	
Public Institutions (includes Churches)		R 58.87	5.60%	R 62.17	
Domestic (Residential)		R 43.71	5.60%	R 46.16	
Cutting of Grass - R0.50 per sqm		R 264.75	10.00%	R0.50 per sqm	
Registered INDIGENTS - Subsidy			100%		

Other Tariffs increase see attached Annexure no 2

1.3. Operating Expenditure Framework

Dipaleseng Local Municipality's operating expenditure framework for the 2013/14 budget and MTREF is informed by the following:

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by standard classification item

MP306 Dipaleseng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework			
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14		Budget Year +1 2014/15	Budget Year +2 2015/16
Expenditure By Type												
Employee related costs	2	23 843	34 801	35 620	41 666	30 829	30 829	30 829	43 732	41.9%	48 054	51 129
Remuneration of councillors			3 704	3 847	3 437	3 903	3 903	3 903	5 265	34.9%	5 556	5 217
Debt impairment	3		23 629	42 951	6 382	31 088	31 088	31 088	32 006	3.0%	27 458	49 294
Depreciation & asset impairment	2	-	28 432	28 450	5 000	29 400	29 400	29 400	33 000	12.2%	34 782	36 660
Finance charges			828	685	233	272	272	272	312	14.7%	329	347
Bulk purchases	2	-	25 684	38 356	48 222	48 844	48 844	48 844	49 800	2.0%	52 489	55 324
Other materials	8		3 313	7 322	8 136	4 470	4 470	4 470	-	-100.0%	5 633	5 937
Contracted services		-	-	-	5 289	11 685	11 685	11 685	10 530	-9.9%	11 292	12 114
Transfers and grants		-	1 905	1 706	7 909	14 937	14 937	14 937	8 912	-40.3%	8 501	8 996
Other expenditure	4, 5	13 775	53 082	58 522	39 539	41 933	42 021	42 021	24 275	-42.1%	25 605	26 988
Loss on disposal of PPE		-	-	-	-	-	-	-	-		-	-
Total Expenditure		37 619	175 379	217 458	165 813	217 362	217 449	217 449	207 832	-4.4%	219 698	252 005
Surplus/(Deficit)		(37 619)	(59 787)	(57 282)	(9 093)	(86 851)	(86 938)	(86 938)	(63 687)		(57 359)	(80 332)
Transfers recognised - capital						-	-	-	32 267		8 501	8 996
Contributions recognised - capital	6	-	-	-	-	-	-	-	16 125		-	-
Contributed assets									9 940			
Surplus/(Deficit) after capital		(37 619)	(59 787)	(57 282)	(9 093)	(86 851)	(86 938)	(86 938)	(5 355)		(48 858)	(71 336)
Taxation						-	-	-	-		-	-
Surplus/(Deficit) after taxation		(37 619)	(59 787)	(57 282)	(9 093)	(86 851)	(86 938)	(86 938)	(5 355)		(48 858)	(71 336)
Attributable to minorities						-	-	-	-		-	-
Surplus/(Deficit) attributable to municipality		(37 619)	(59 787)	(57 282)	(9 093)	(86 851)	(86 938)	(86 938)	(5 355)		(48 858)	(71 336)
associate	7					-	-	-	-		-	-
Surplus/(Deficit) for the year		-37618606.5	-59787213.57	-57281968.2	-9092942.075	-86850841	-86938266	-86938266	-5355000.9		-48857837.3	-71335684.05

1.3.1. Employee related costs

The budget allocation for employee related cost for the 2013/14 financial year totals to R43.732million, which equals 41 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement that has just came to an end for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 6.84 per cent for the 2013/14 financial year.

The major budget implications was the filling of critical vacancies , however, with limited sources of funding only most critical posts at service delivery departments, community services, corporate servicesand Budget and Treasury were prioritised and those vacant but not yet funded will be priorities in the next coming adjustment budget if not coming 2014/15 financial year.

The following critical vacancies were advertised in April 2013.

Department	Position	Post level	Quantity
Planning and development	LED Coordinator	5	1
Infrastructure services	Supervisor (Water & sanitation)-Grootvlei	6	1
Infrastructure services	Assistant Electrician	7	1
Disaster management Fire & Rescue	Fire fighters	9	4
Disaster management Fire & Rescue	Senior Fire fighter	8	1
Office of the Executive manager	Driver of the Executive Mayor	9	1
Corporate services	Labour relations officer	5	1
Corporate services	Manager : Human resources	1	1
Corporate services	Occupational Health & safety officer	5	1
Community services & public safety	Examiner : Vehicle and driver's License	8	2
Community services	Library Assistant	11	1
Budget & Treasury	Procurement officer	5	1
Budget & Treasury	Senior debtors clerk	5	1
Budget & Treasury	Internship	10	5
Budget & Treasury	Finance clerk	6	2
Budget & Treasury	Senior Budget and reporting clerk	5	1
Municipal manager	Performance management officer	5	1

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2013/14 next budget allocation as gazetted for remuneration of councillors has an amount of R1.883million for councillors', and envisaged increase is 5,5%.

1.3.2. Bulk purchases

Bulk purchases are directly informed by the purchase of electricity (8%) and water (5.6%) (R48million & R1, 8) million respectively) from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions

1.3.3. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Dipaleseng Municipality's approved Indigent Policy. The target is to register additional 60 per cent or more indigent households during the 2013/14 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Recommendations by Budget Steering committee are as follows:

- That the municipality will have to endeavour , during the budget public participation process in 2013-2014 to create a opportunity for possible indigents in each ward to register per application form compiled for this purposes as reflected in the Councils approved indigent policy;
- That the process of such registration to be started on the 1 April each year and end on the 30 June of each year.
- That new consumers be allowed to apply for indigent, if qualify during a particular financial year.
- That the indigents be credited with the equitable share portion of revenue for services rendered to a maximum for electricity (50kwh), water (6kl) and refuse services as per the indigent policy.
- That the amount of R 152.00 per month covering the latter be credited to registered indigent households not earning more than R 1500.00 per month as recommended during the tabling of the draft budget be confirmed for 2013-2014 t be implemented from the 1 July 2013.
- That where two or more pensioners in one household earn R 1500.00 that such a household will not be disqualified to received such subsidy.
- That those applications for new residents during 1 July until 30 June of the next year be included on a monthly basis as the financial year progress.

- Ward Committee members to assist in the filling and collecting of Indigent forms
- To ensure that the threshold of the determination of an indigent household is reviewed annually during the approval of the MTREF budget(s).
- That sufficient provision is indicated for indigent and that share is allocated to services subsidise on a cash basis.
- That the 2013-2016 MTREF budget be drafted in such a way that the current revenue forgone (Free basic services to those that can afford) for electricity, water, and property rates as well as the tariff policy be adjusted not to be inclusive but that free basic services only to be allocated to indigent.

1.4. Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 5 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

For 2013/14 an amount of R58.332million has been appropriated towards the capital budget for development of infrastructure within the Dipaleseng Local municipality jurisdiction. The highest capital infrastructure budget allocation on roads infrastructure projects of R19million which equates to 33 per cent will address roads challenges that the municipality is currently facing.

Our municipal water infrastructure and sewer infrastructure are in serious need of funds to address some of the delivery and supply challenges, therefore an amount of R23.360million which equates to 42 per cent will be spent on water and sewer infrastructure development and have those communities access to basic needs.

Due to the already unfunded budget, it should be noted that no provision was made for the renewal of the existing assets as contemplated in the MFMA circular 55, at least 40% of the capital budget must be provided. This should be reviewed in the next budget

Repairs and maintenance was provided at 2.6% instead of 8% as required by MFMA circular 55.

MP306 Dipaleseng - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL AND ADMINISTRATION		-	-	-	-	-	-	-	-	-	-
Vote 3 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - DEVELOPMENT AND PLANNING		-	-	-	-	-	-	-	-	-	-
Vote 5 - SPORTS AND RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 6 - ROADS		-	-	-	-	-	-	-	-	-	-
Vote 7 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 8 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - WATER WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 10 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 11 - ELECTRICITY		-	-	-	-	-	-	-	-	-	-
Vote 12 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Executive and Council		1 150	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL AND ADMINISTRATION		550	-	210	1 382	1 382	1 382	1 382	-	-	-
Vote 3 - COMMUNITY SERVICES		-	5 014	1 700	4 381	4 381	4 381	4 381	3 737	-	-
Vote 4 - DEVELOPMENT AND PLANNING		-	743	-	-	-	-	-	-	-	-
Vote 5 - SPORTS AND RECREATION		-	-	150	1 000	1 000	1 000	1 000	3 625	-	-
Vote 6 - ROADS		-	8 000	12 000	8 500	11 544	11 544	11 544	19 000	-	-
Vote 7 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 8 - WASTE MANAGEMENT		-	-	-	-	-	-	-	3 950	-	-
Vote 9 - WATER WASTE MANAGEMENT		-	3 400	10 200	11 000	11 000	11 000	11 000	10 760	-	-
Vote 10 - WATER		-	10 000	3 042	15 053	15 053	15 053	15 053	13 600	-	-
Vote 11 - ELECTRICITY		-	-	4 820	1 654	1 655	1 655	1 655	3 660	-	-
Vote 12 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 700	27 157	32 122	42 970	46 015	46 015	46 015	58 332	-	-
Total Capital Expenditure - Vote		1 700	27 157	32 122	42 970	46 015	46 015	46 015	58 332	-	-
Capital Expenditure - Standard											
Governance and administration		550	-	710	1 382	1 382	1 382	1 382	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	500	1 159	1 159	1 159	1 159	-	-	-
Corporate services		550	-	210	223	223	223	223	-	-	-
Community and public safety		503	-	1 850	5 381	5 381	5 381	5 381	7 362	-	-
Community and social services		303	-	1 700	4 381	4 381	4 381	4 381	3 737	-	-
Sport and recreation		200	-	150	1 000	1 000	1 000	1 000	3 625	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		3 991	-	12 000	8 500	11 544	11 544	11 544	19 000	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		3 991	-	12 000	8 500	11 544	11 544	11 544	19 000	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		15 442	-	18 062	27 707	27 708	27 708	27 708	31 970	0	-
Electricity		619	-	4 820	1 654	1 655	1 655	1 655	3 660	-	-
Water		8 000	-	3 042	15 053	15 053	15 053	15 053	13 600	-	-
Waste water management		5 773	-	10 200	11 000	11 000	11 000	11 000	10 760	0	-
Waste management		1 050	-	-	-	-	-	0	3 950	0	-
Other										0	-
Total Capital Expenditure - Standard	3	20 486	-	32 622	42 970	46 015	46 015	46 015	58 332	0	-
Funded by:											
National Government		-	-	-	26 727	29 771	29 771	29 771	32 267	-	-
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	9 482	9 482	9 482	9 482	9940000	-	-
Other transfers and grants		-	-	-	5 500	5 500	5 500	5 500	16 125	-	-
Transfers recognised - capital	4	-	-	-	41 709	44 753	44 753	44 753	58 332	-	-
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	1 382	1 262	1 262	1 262	-	-	-
Total Capital Funding	7	-	-	-	43 091	46 015	46 015	46 015	58 332	-	-

Table 6 Cash flow Table A7

Currently the municipality is collecting 56% of services rendered and debt impairment in the amount of R32million was provided

The under mentioned table show that the 2013/14 budget is cash stringent by R28million. The budget recovery plan deflected in the recommendation s of this report which included strict cash flow control by centralising the Supply Chain Unit will be enforced if approved by council

MP306 Dipaleseng - Table A7 Budgeted Cash Flows

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		37 557	60 610	42 870	71 520	46 405	46 405	46 405	62 568	73 542	58 582
Government - operating	1	30 162	37 099	42 808	48 393	50 957	50 957	50 957	49 499	52 327	56 357
Government - capital	1	22 755	14 867	31 456	26 727	29 771	29 771	29 771	20 593	17 994	18 793
Interest		6 814	1 151	420	106	31	31	31	72	76	80
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(74 909)	(94 573)	(103 210)	(127 447)	(140 144)	(140 144)	(140 144)	(131 415)	(148 480)	(136 201)
Finance charges		(619)	-	-	(233)	(272)	(272)	(272)	(312)	(329)	(347)
Transfers and Grants	1	-	-	-	-	(14 937)	(14 937)	(14 937)	(8 912)	(8 501)	(8 996)
NET CASH FROM/(USED) OPERATING ACTIVITIES		21 760	19 154	14 344	19 066	(28 189)	(28 189)	(28 189)	(7 907)	(13 371)	(11 732)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	500	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	(883)	(272)	(14 982)	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	(24 770)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	2 570	-	-	-	-	-	-	-
Payments											
Capital assets		-	(13 043)	-	(27 812)	(31 032)	(31 032)	(31 032)	(20 593)	(17 994)	(18 793)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(13 926)	(22 472)	(42 294)	(31 032)	(31 032)	(31 032)	(20 593)	(17 994)	(18 793)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		18 809	3 308	1 265	1 203	50	50	50	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		18 809	3 308	1 265	1 203	50	50	50	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		40 569	8 536	(6 864)	(22 025)	(59 171)	(59 171)	(59 171)	(28 500)	(31 365)	(30 525)
Cash/cash equivalents at the year begin:	2		40 569	49 105	3 427	3 427	3 427	3 427	16 500	(12 000)	(43 365)
Cash/cash equivalents at the year end:	2	40 569	49 105	42 242	(18 598)	(55 744)	(55 744)	(55 744)	(12 000)	(43 365)	(73 889)

1.7. Compliance Test (Funded of Unfunded)

The under mentioned Table indicate that the budget is unfunded by R51.8million

MP306 Dipaleseng - Table A8 Cash backed reserves/accumulated surplus reconciliation				
Description	2013/14 Medium Term Revenue & Expenditure			
R thousand	Budget Year 2013/14			
Cash and investments available				
Cash/cash equivalents at the year end	(28 500)	Cash flow short fall		
Other current investments > 90 days	15 000			
Non current assets - Investments	-			
Cash and investments available:	(13 500)			
Application of cash and investments				
Unspent conditional transfers	(15 000)	MIG funds Rollover		
Unspent borrowing	-			
Statutory requirements	(9 500)	VAT Payable on Outstanding Debtors		
Other working capital requirements	(12 875)	Eskom and other creditors		
Other provisions	(975)	Sundry provisions		
Long term investments committed	-			
Reserves to be backed by cash/investments	-	Land fill site not yet provided		
Total Application of cash and investments:	(38 350)			
Surplus(shortfall)	(51 850)	Budget unfunded		

In order for the municipality to become sustainable a five year budget recovery action plan need to be formulated and approved by council. The following recommendations are made to assist in the creation of such an action plan.

PROPOSED BUDGET RECOVERY PLAN:

1. That a revenue improvement plan, compiled and submitted by the Provincial treasury senior specialist be considered and be customized by the CFO and the MM for the municipality practical implementation.
2. That the revenue improvement plan be submitted to Council before or on the 31 July 2013 and that a revenue improvement steering committee be introduced of which the Mayor is the chairperson and the MM as secundi. That

all relevant HOD participate and report on progress on the improvement plan on a bi-weekly basis.

3. That the Supply chain processes to be centralized from the 1 August 2013 after a procurement process plan has been introduced.
4. That any expenditure for the supply of goods or services , including accommodation booked and catering be incurred by a electronic order
5. That manual orders be allowed in the end of the financial year when the system is to be closed and if emergency expenditure is to be incurred or when the financial system is out of order.
6. That any expenditure incurred by any individual in any department of the municipality side stepping the SCM processes and incur expenditure without a electronic or manual order (emergency) be recovered and that the person(s) must be held personally responsible
7. Daily/ weekly control on cash flow in and outflow , including orders to be introduced (done on a document to be introduced)
8. Bank reconciliations to be done on a weekly basis
9. Trading and economical losses to be recovered in the next five years by means of acceptable tariff increases, after expenditure were suitably provided.
10. That unfunded budget not be allowed in future starting with the 2014/2017 MTREF budget
11. Meter reading to be improved (Internal or calling for external tenders-bidding processes)
12. Meter audit to be initiated to confirm current status of meters installed (damaged, tampered and services “stolen” to be identified buy Technical department to be reported to the Finance department. Communication and proper documentation flow to proof such meter audit and replacement of meters to be introduced.
13. Billing and data cleansing to be improved in order to ensure that consumers will agreeable in paying for services rendered.
14. Effective customer care unit with resources to be introduced (Systems-enquiries, officials and effective satellite office pay points to be introduced)

15. Credit control to be fiercely introduced without fear or favour (after data cleansing exercise) was introduced
16. Must have credit control and debt collection management system (electronic) to show audit trail
17. Must have an updated indigent register

Expenditure

1. Orgonogram to be costed and nice to have positions be removed .Determine positions of priority to be filled especially in finance and technical department's so that we can collect and control spending to ensure effective service delivery.
2. Target non-priority spending in all areas of the budget as per MFMA circular's 55-67 and remove those that can be seen as luxury. Cost curtailment to be prioritized.
3. Overtime to be minimized and introduction of shift systems to be investigated
4. Improve the budget to maintain assets (Adhere to NT 's call to provide 8% for repair and maintenance as well as to start a process of providing for reserves to cover the renewal of impaired assets (existing)
5. Spent our MIG allocation 100% within the financial year and use all our conditional grants to the fullest.
6. Ensure that MFMA calendar timelines are compiled and have proper planning, implementation and oversight the adjustment budget and draft budget for next year starting the process in July 2013 up to 31 May 2014.
7. Public participation and communication indicating that additional funds need to to be generated (to cover for previous years losses) as to be sustainable should be addressed.
8. Reporting on all wasteful , irregular and unauthorized expenditure be maintained and that section 71 reports (monthly and quarterly) be submitted on a monthly basis

PART 2 – Supporting Documentation

2.1. Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical

assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

The Mayor called for a budget steering committee meeting to finalise the 2013-2016 MTREF budget, after attending a strategic planning session and the meeting was held on the 13 and 14 June 2013. The aim was to include all budget related matters originating from such strategic planning as well as to recommend improved principles to be considered by Council.

Resolutions of the Budget Steering Committee

- That business , industrial and vacant stands increases on every tariff charged by Council be increased by 10% from the 1 July 2013
- That an adjustment of 32,5%(included an annual increase of 10%) be made to the basic charge of sewerage for business ;
- That electricity tariffs for residential and government, including schools other than business, industrial and vacant stands (basic charges) be increased by 8% from the 1 July 2013.
- That the electricity tariff of Industrial (Karan Beef) be increased and be aligned to the business tariff.
- That all basic charges for business Erven be charged on "Per erf per business unit"
- That all Erven where business is expected to be operating a business be charged with a fee for consent use from the 1 July 2013.

- Any residential Erven used for business operations must be charged at business tariffs and the tariff structure for basic charges or consumption be based on such business tariff.
- That the indigents be credited with the equitable share portion of revenue for services rendered to a maximum for electricity (50kwh), water (6kl) and refuse services as per the indigent policy
- That where two or more pensioners in one household earn R 1500.00 that such a household will not be disqualified to receive such subsidy
- That all other services or fees not mentioned above (electricity for business ; industrial and vacant stands) and property rates be increased by 5,6%
- That cutting of grass be charged at 50 cents per m2 (square meter) from the 1 July 2013 and be recovered from the owner.
- That departmental electricity and water services be metered per department consuming such services, and be charged at the cost price of such service per unit from the 1 July 2013. That the relevant services be credited with departmental income.
- Entertainment: That the current allocation of entertainment costs within the budget for the Executive be kept at R 100 000.
- That for purposes of cash flow control that an amount be allocated for the Speaker, Executive Mayor, members of mayoral committee and MM office on a monthly basis and it be controlled by the SCM unit. That no expenditure, whatsoever per approved budget, be incurred without an electronic order that is issued per signature of the CFO/SCM.
- That all HOD's entertainment be adjusted to R 3000.00 for 2013-2014.
- That the Municipal managers entertainment vote be limited to R 5000.00 .for 2013-2014
- To curtail costs it is suggested that the Council consider review the current use of cell phones only policy in 2013-2014 and that the system in the use of hand held radio's as a form of communication be reconsidered as a addition or as an alternative. That a feasibility study with all relevant components (high mast radio towers to connect

Dipaleseng, Grootvlei , Greyling stad and Siyatemba) be undertaken in regard to saving costs in future.

- That all telephone calls be directed through a switchboard and that a full management system (duration, location of call as well who the caller is), with password (codes) be introduced. That the use of cell phone numbers be limited or be controlled by the HOD and the switch board in order to save costs.
- That private calls be identified and be recovered from the staff from date of the installation of a management system in this regard.
- That a standby-, overtime-, protective clothing policy, cell phone and telephone usage (Telkom lines) policy, Travel and subsistence policy be drafted for submission to the Budget steering committee for consideration in the 2013-2014 financial year.

2.2. Overview of the Budget Process

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.3. Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Asset Management Policy
- Indigent Policy
- Rates policy
- Tariff policy
- Budget policy
- Credit Control Policy

2.4. Overview of Budget assumptions

2.4.1. Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current

economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is for prior year was expressed as a percentage (56 per cent) of annual billings. Currently i.e. April 2013 the percentage is expressed at 50 per cent of year to date billings. Cash flow is assumed to be 56 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy through a debt collector and revenue enhancement measures to encourage community to pay their arrears on service accounts.

2.5. Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports.

➤ Internship programme

Dipaleseng Local Municipality is participating in the Municipal Financial Management Internship programme and has employed 2 interns undergoing training in various divisions of the Financial Services Department.

➤ Budget & Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, with full competence of all senior managers and the department will be currently filling the critical positions.

➤ Service Delivery and Implementation Plan (SDBIP)

The detail draft SDBIP document is compiled and due to be presented at Mayoral Committee thereafter it will be served before Council for approval.

➤ Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

➤ Budget Related Policies

A list of all budget related policies were amended and will be approved during the 2013/14 MTREF by Council on the 21 June 2013, a list of all approved policies have been included as annexure.

;

3. RECOMENDATION OF THE EXECUTIVE MAYOR

1. THAT the 2013/16 MTREF draft budget submitted by CFO be NOTED.
2. THAT the operating revenue budget amount to R144 145 043 and the expenditure budget amount to R207 831 677 be approved.
3. THAT the capital budget as per annexure 4 in the amount of R58 332millionbe approved.
4. THAT the critical vacant position listed as follows be approved and be filled as a matter of urgency

Department	Position	Post level	Quantity
Planning and development	LED Coordinator	5	1
Infrastructure services	Supervisor (Water & sanitation)-Grootvlei	6	1
Infrastructure services	Assistant Electrician	7	1
Disaster management Fire & Rescue	Fire fighters	9	4
Disaster management Fire & Rescue	Senior Fire fighter	8	1
Office of the Executive manager	Driver of the Executive Mayor	9	1
Corporate services	Labour relations officer	5	1
Corporate services	Manager : Human resources	1	1
Corporate services	Occupational Health & safety officer	5	1
Community services & public safety	Examiner : Vehicle and drivers License	8	2
Community services	Library Assistant	11	1
Budget & Treasury	Procurement officer	5	1
Budget & Treasury	Senior debtors clerk	5	1
Budget & Treasury	Internship	10	5
Budget & Treasury	Finance clerk	6	2
Budget & Treasury	Senior Budget and reporting clerk	5	1
Municipal manager	Performance management officer	5	1

5. THAT the municipal tariffs for property rates, services and other be approved and be implemented from the 1 July 2013

5.1 Property Rates

MPRA Category	MPRA key	Impermissible (R)	Impermissible (%)	Rate			Res	5.60%
							Bus/Indus	10.00%
		Value - Impermissible	% impermissible	2012/2013	2012/2013	Rebate	Before	2013/2014
							increase	
RESIDENTIAL	RES	15,000.00			-	-		
RESIDENTIAL >R 15000			0	0.0055	0.00582	0	0.00582	0.006
RESIDENTIAL >R 15001 Business consent use				0.0055	0.00582	0	0.00582	0.006
INDUSTRIAL	IND			0.0055	0.00582	0	0.00582	0.006
BUSINESS AND COMMERCIAL	BUS			0.0055	0.00582	0	0.00582	0.006
AGRICULTURAL (AGRI)	AGRI		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL BUSINESS (AGRIBUS)	AGRIBUS		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL RESIDENTIAL (AGRIRES)	AGRIRES		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL OTHER (AGRIOTHER)	AGRIOTHER		25%	0.0055	0.00582	0.001455	0.004365	0.005
AGRICULTURAL NO PURPOSE DEFINED (AGRINO)	AGRINO		25%	0.0055	0.00582	0.001455	0.004365	0.005
COMMUNAL LAND (COMM)	COMM		0%	0	0	0	0	-
SMALL HOLDINGS - AGRICULTURAL (SMALLAGRI)	SMALLAGRI		25%	0.0055	0.00582	0.001455	0.004365	0.005
SMALL HOLDINGS - RESIDENTIAL (SMALLRES)	SMALLRES		25%	0.0055	0.00582	0.001455	0.004365	0.005
SMALL HOLDINGS - OTHER (SMALLOTHER)	SMALLOTHER		25%	0.0055	0.00582	0.001455	0.004365	0.005
STATE OWNED (STATE)	STATE		30%	0.011	0.01165	0.003495	0.008155	0.009
MUNICIPAL	MUN		100%	0	0	0	0	-
PUBLIC SERVICE INFRASTRUCTURE (PSI)	PSI		30%	0.011	0.01165	0.003495	0.008155	0.009
EXEMPTED (EXP)	EXP		100%	0.0055	0	0	0	-
OPEN SPACES	OPS		100%	0	0	0	0	-
PLACES OF PUBLIC WORSHIP (CHC)	CHC		100%	0	0	0	0	-
PUBLIC BENEFIT ORG (PBO)	PBO		100%	0.0055	0.00582	0.00582	0	-

Electricity, Water , Sanitation (sewer) and Refuse VAT excluded

5.2 Water services :

Monthly Consumption kl	Current Amount Payable 2012/13	Approved Amount Payable 2013/14	Difference (Increase)	Percentage Change
0-6	0	Registered Indigents only		0
0-35	R 8.08	R8.53	R0.45	5.6%
0-50	R8.08	R8.95	R0.87	10.76%
51-80	R8.08	R9.40	R1.32	16.33%
81 - above	R8.08	R9.90	R1.82	22.52%

5.3 Electricity

ELECTRICITY	PROPOSED		
	Budget 12/13		Tariff 13/14
BASIC CHARGE - Business (includes Guesthouses)	R 226.44	10.00%	R 249.08
- Business PRE-PAID	R 349.08	10.00%	R 383.99
- Industrial	R 679.29	10.00%	R 747.22
- Domestic (Residential)	R 113.21	8.00%	R 122.27
- Vacant stands	R 78.69	10.00%	R 86.56
CONSUMPTION - Business	R 1.33	10.00%	R 1.47
- Industrial	R 0.54	172.00%	R 1.47
- Domestic (Residential)	R 1.32	8.00%	R 1.42
- Registered Indigents	R 1.02	8.00%	R 1.10
- Departmental	R 1.02	8.00%	R 1.10
KVA - Basic	R 203.96	10.00%	R 224.35
KVA-unit charge	R 161.15	10.00%	R 177.27
PRE-PAID - ordinary customers	R 1.48	8.00%	R 1.59
- registered indigents	R 1.26	8.00%	R 1.36
Reconnections due to non-payment	R 529.50	5.60%	R 559.15
New Connections - Single Phase -up to yard	2 118.00		R 3 000.00
- 3 Phase	4 765.50		R 7 500.00
Installation of a Pre-paid meter			1 500.00
Installation of a Pre-paid meter - 3 phase (residential)			3 000.00
Installation of a Pre-paid meter - 3 phase (Business)			6 000.00

5.4 Sanitation

SEWERAGE	EXISTING			PROPOSED	
	Tariff 12/13			Tariff 13/14	
Sewer-Connected to mainline					
BASIC - Business (per connection, per business unit)	R 75.42	32.6% (adj)		R 100.00	
- Industrial	R 102.30	10.0%		113	
- Schools	R 90.76	5.6%		96	
- Public Institutions (Includes Churches)	R 90.76	5.6%		96	
- Vacant stands	R 91.95	10.0%		101	
- Domestic (Residential) per unit / flats	R 65.88	5.6%		70	
EFFLUENT					
All consumers excluding registered indigents	6.50	5.60%		6.86	
INDUSTRIAL	R 9.49	70% levy		R 10.44	
BLOCKED DRAIN					
Main line	NO COST				
Private line	695.27	5.60%		R 734.21	
				-	
NEW CONNECTIONS -per stand / PER UNIT	886.00	5.60%		R 935.62	
SUCTION TANK					
Business	R 67.08	R 70.19	R 129.63	R	
Domestic (Residential)	R 50.10	R 66.87	R 110.45	R	
Siyathemba/Greylingstad / Balfour	R 25.05	R 30.08	R 52.05	R	
Each additional removal		R 50			

5.5 Refuse removal

REFUSE REMOVALS	EXISTING		PROPOSED	
	Tariff 12/13		Tariff 13/14	
Business (per business unit)	R	58.87	10.00%	R 64.76
Industrial	R	66.21	10.00%	R 72.83
Schools	R	44.47	5.60%	R 46.97
Public Institutions (includes Churches)	R	58.87	5.60%	R 62.17
Domestic (Residential)	R	43.71	5.60%	R 46.16
Cutting of Grass - R0.50 per sqm	R	264.75	10.00%	R0.50 per sqm
Registered INDIGENTS - Subsidy			100%	

5.6 Registered Indigents Subsidy

- That the indigents be credited with the equitable share portion of revenue for services rendered to a maximum for electricity (50kwh), water (6kl) and refuse services as per the indigent policy.
- That the amount of R 152.00 per month covering the latter be credited to registered indigent households not earning more than R 1500.00 per month as recommended during the tabling of the draft budget be confirmed for 2013-2014 to be implemented from the 1 July 2013.
- That where two or more pensioners in one household earn R 1500.00 that such a household will not be disqualified to receive such subsidy.
- That those applications for new residents during 1 July until 30 June of the next year be included on a monthly basis as the financial year progresses.

5.7 Other tariffs

- That business, industrial and vacant stands increase on every tariff charged by Council be increased by 10% from the 1 July 2013
- That an adjustment of 32,5% (included an annual

increase of 10%) be made to the basic charge of sewerage for business ;

- That electricity tariffs for residential and government, including schools other than business, industrial and vacant stands (basic charges) be increased by 8% from the 1 July 2013.
- That the electricity tariff of Industrial (Karan Beef) be increased and be aligned to the business tariff.
- That all basic charges for business Erven be charged on “Per erf per business unit”
- That all Erven where business is expected to be operating a business be charged with a fee for consent use from the 1 July 2013.
- Any residential Erven used for business operations must be charged at business tariffs and the tariff structure for basic charges or consumption be based on such business tariff.

6. THAT a five year budget recovery plan be developed by the CFO and include the following:

- That a revenue improvement plan, compiled and submitted by the Provincial treasury senior specialist be considered and be customized by the CFO and the MM for the municipality practical implementation.
- That the revenue improvement plan be submitted to Council before or on the 31 July 2013 and that a revenue improvement steering committee be introduced of which the Mayor is the chairperson and the MM as secundi. That all relevant HODS participate and report on progress on the improvement plan on a bi-weekly basis.
- That the Supply chain processes to be centralized from the 1 August 2013 after a procurement process plan has been introduced.
- That any expenditure for the supply of goods or

services , including accommodation booked and catering be incurred by a electronic order

- That manual orders are allowed at the end of the financial year when the system is to be closed and if emergency expenditure is to be incurred or when the financial system is out of order.
- That any expenditure incurred by any individual in any department of the municipality side stepping the SCM processes and incurred expenditure without a electronic or manual order (emergency) be recovered and that the person(s) must be personally held responsible.
- Daily/ weekly control on cash flow in and outflow , including orders to be introduced (done on a document to be introduced)
- Bank reconciliations to be done on a weekly basis
- Trading and economical losses to be recovered in the next five years by means of acceptable tariff increases, after expenditure were suitably provided.
- That unfunded budget not be allowed in future starting with the 2014/2017 MTREF budget.
- Meter reading to be improved (Internal or calling for external tenders-bidding processes)
- Meter audit to be initiated to confirm current status of meters installed (damaged, tampered and services “stolen” to be identified buy Technical department to be reported to the Finance department. Communication and proper documentation flow to proof such meter audit and replacement of meters to be introduced.
- Billing and data cleansing to be improved in order to ensure that consumers will agreeable in paying for services rendered.

- Effective customer care unit with resources to be introduced (Systems-enquiries, officials and effective satellite office pay points to be introduced)
- Credit control to be fiercely introduced without fear or favour (after data cleansing exercise)
- Must have credit control and debt collection management system (electronic)to show audit trail.
- Must have an updated indigent register

6. Expenditure

- Organogram to be costed and nice to have positions be removed .Determine positions of priority to be filled especially in finance and technical department's so that we can collect and control spending to ensure effective service delivery.
- Target non-priority spending in all areas of the budget as per MFMA circular's 55-67 and remove those that can be seen as luxury. Cost curtailment to be prioritized.
- Overtime to be minimized and introduction of shift systems to be investigated
- Improve the budget to maintain assets (Adhere to NT 's call to provide 8% for repair and maintenance as well as to start a process of providing for reserves to cover the renewal of impaired assets (existing)
- Spent our MIG allocation 100% within the financial year and use all our conditional grants to the fullest.
- Ensure that MFMA calendar timelines are compiled and have proper planning, implementation and oversight the adjustment budget and draft budget for next year starting the process in July 2013 up to 31 May 2014.
- Public participation and communication indicating that additional funds need to be generated (to cover

for previous years losses) as to be sustainable should be addressed.

- Reporting on all wasteful , irregular and unauthorized expenditure be maintained and that section 71 reports (monthly and quarterly) be submitted on a monthly basis

7. THAT the following budget related policies be APPROVED

- Supply Chain Management policy
- Asset Management Policy
- Indigent Policy
- Rates policy
- Tariff policy
- Budget policy
- Credit Control Policy

2.11 Municipal Manager's Quality Certificate

I _____,
Municipal Manager of Dipaleseng Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Municipal Manager of Dipaleseng Local Municipality (MP306)

Signature

Date _____
